National Osteoporosis Foundation

Financial Statements

December 31, 2018

CALIBRE
CPA GROUP

NATIONAL OSTEOPOROSIS FOUNDATION

FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2018

CONTENTS

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REPORT ON INDEPENDENT AUDITORS

To the Board of Trustees
National Osteoporosis Foundation

We have audited the accompanying financial statements of National Osteoporosis Foundation (the Foundation), which comprise the statement of financial position as of December 31, 2018, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Foundation as of December 31, 2018 and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Prior Period Financial Statements

The financial statements of National Osteoporosis Foundation for the year ended December 31, 2017, were audited by other auditors whose report thereon dated July 17, 2018, expressed an unmodified opinion on those statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2017 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Calibre CPA Group, PLLC

Bethesda, MD
April 15, 2019

National Osteoporosis Foundation

Statements of Financial Position

December 31, 2018
(With Comparative Totals as of December 31, 2017)

		2018		2017
Assets				
Current assets				
Cash and cash equivalents	$	2,783,127	$	1,579,813
Accounts receivable		24,893		33,655
Contributions and bequests receivable		729,651		137,998
Prepaid expenses		86,248		113,561
Inventory		79,215		8,097
Total current assets		3,703,134		1,873,124
Property and equipment, at cost, net		10,359		15,584
Other assets				
Contribution receivable, net of current		-		89,668
Investments		3,242,862		3,515,621
Total other assets		3,242,862		3,605,289
Total assets	$	6,956,355	$	5,493,997
Liabilities And Net Assets				
Current liabilities				
Accounts payable and accrued expenses	$	221,126	$	132,136
Deferred revenue		1,438,845		92,999
Total current liabilities		1,659,971		225,135
Other liabilities				
Obligations under charitable gift annuities		95,700		53,050
Deferred rent		149,402		149,310
Total liabilities		1,905,073		427,495
Net assets				
Without donor restrictions		3,863,930		3,842,302
With donor restrictions		1,187,352		1,224,200
Total net assets		5,051,282		5,066,502
Total liabilities and net assets	$	6,956,355	$	5,493,997

See accompanying notes to financial statements.

National Osteoporosis Foundation

Statement of Activities

Year Ended December 31, 2018
(With Comparative Totals for the Year Ended December 31, 2017)

	2018			2017
	Without Donor Restrictions	With Donor Restrictions	Total	Total
Support and revenue				
Grant and contributions	$ 829,495	$ 1,381,030	2,210,525	$ 2,549,071
Membership dues	67,596	35,700	103,296	354,190
Royalties and consulting income	413,622	-	413,622	380,505
Interdisciplinary Symposium on Osteoporosis	427,523	-	427,523	390,450
Legacies and bequests	1,102,564	-	1,102,564	444,941
Publication sales	92,868	-	92,868	148,808
Donated services and materials	6,488	-	6,488	2,321
Miscellaneous income	23,680	-	23,680	6,949
Net investment income (loss)	(250,860)	1,247	(249,613)	413,912
Net assets released from restrictions				
Satisfaction of program restrictions	1,454,825	(1,454,825)	-	-
Total support and revenue	4,167,801	(36,848)	4,130,953	4,691,147
Expenses				
Program services				
National Bone Health Alliance (NBHA)	618,402	-	618,402	1,228,053
Patient Education	400,388	-	400,388	286,791
Professional Education	1,046,641	-	1,046,641	1,082,839
Advocacy	495,270	-	495,270	367,541
Communications	254,629	-	254,629	283,249
Membership	78,573	-	78,573	106,045
Research	58,197	-	58,197	9,331
Total program services	2,952,100	-	2,952,100	3,363,849
Supporting services				
Fundraising	803,077	-	803,077	665,922
Management and general	390,996	-	390,996	184,287
Total supporting expenses	1,194,073	-	1,194,073	850,209
Total expenses	4,146,173	-	4,146,173	4,214,058
Change in net assets before combination with Pagets Disease Foundation	21,628	(36,848)	(15,220)	477,089
Assets received in combination with Pagets Disease Foundation	-	-	-	253,026
Change in net assets	21,628	(36,848)	(15,220)	730,115
Net assets				
Beginning of year	3,842,302	1,224,200	5,066,502	4,336,387
End of year	$ 3,863,930	$ 1,187,352	$ 5,051,282	$ 5,066,502

See accompanying notes to financial statements.

NATIONAL OSTEOPOROSIS FOUNDATION

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2018
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2017)

	2018												2017
	Program Services								Supporting Services				
	NBHA	Patient Education	Professional Education	Advocacy	Communications	Membership	Research	Total Program Services	Fundraising	Management and General	Total Supporting Services	Total	Total
Personnel-related expenses	$ 317,249	$ 66,298	$ 271,162	$ 149,449	$ 137,022	$ 38,695	$ 18,586	$ 998,461	$ 374,147	$ 131,453	$ 505,600	$ 1,504,061	$ 1,593,296
Professional fees and expenses	170,283	122,672	328,171	276,534	67,771	11,017	31,988	1,008,436	237,026	77,136	314,162	1,322,598	1,319,062
Conferences, conventions and events	41,855	49,953	249,547	18,605	4,962	1,507	3,217	369,646	40,539	23,725	64,264	433,910	469,677
Occupancy, maintenance and insurance	37,465	9,469	32,022	17,649	16,167	6,210	2,195	121,177	44,113	60,944	105,057	226,234	240,581
Printing, publications and promotion	5,929	97,837	114,707	680	4,242	164	79	223,638	8,977	21,846	30,823	254,461	244,791
Supplies, telephone and internet	34,249	21,213	32,386	15,275	19,547	3,426	1,583	127,679	34,589	45,759	80,348	208,027	165,986
Postage, mailing and shipping	2,967	29,715	11,462	11,118	1,292	16,529	56	73,139	53,345	18,875	72,220	145,359	123,246
Depreciation and amortization	1,345	281	1,150	634	580	164	79	4,233	1,584	2,115	3,699	7,932	13,696
Interest and other	7,060	2,950	6,034	5,326	3,046	861	414	25,691	8,757	9,143	17,900	43,591	43,723
	$ 618,402	$ 400,388	$ 1,046,641	$ 495,270	$ 254,629	$ 78,573	$ 58,197	$ 2,952,100	$ 803,077	$ 390,996	$ 1,194,073	$ 4,146,173	$ 4,214,058

See accompanying notes to financial statements.

National Osteoporosis Foundation

Statements of Cash Flows

Year Ended December 31, 2018
(With Comparative Totals for the Year Ended December 31, 2017)

	2018	2017
Cash flows from operating activities		
Cash received from operations		
Support and revenue	$ 4,986,999	$ 4,275,150
Investment income	159,172	100,711
Net cash received from operating activities	5,146,171	4,375,861
Cash disbursed from operations		
Payments to program recipients, employees and suppliers	4,241,939	4,206,347
Net cash provided by operating activities	904,232	169,514
Cash flows from investing activities		
Purchase of investments	(152,587)	(634,852)
Proceeds from sale of investments	454,368	538,173
Purchase of property and equipment	(2,700)	-
Net cash provided by (used for) investing activities	299,081	(96,679)
Net change in cash and cash equivalent	1,203,313	72,835
Cash and cash equivalents		
Beginning of year	1,579,814	1,506,979
End of year	$ 2,783,127	$ 1,579,814

See accompanying notes to financial statements.

NOTE 1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization - The National Osteoporosis Foundation (the Foundation) (a nonprofit organization) is America's only national nonprofit, voluntary health organization dedicated to reducing the widespread prevalence of osteoporosis through programs of research, education and advocacy. Founded in 1984, the Foundation has become the leading authority for patients, health professionals, and the public for osteoporosis information, programs, and services. The Foundation is supported primarily by grants and contributions from foundations, corporations, individuals and fundraising events.

On October 2, 2017, the Foundation combined with Pagets Disease Foundation (Paget), a New York 501(c)(3). The purpose of the combination was to ensure that the work of Paget continue, and be carried out by a dedicated, professional staff, in a transparent and responsive manner and to ensure the public's continued access to information on Pagets Disease and to maintain a directory of qualified physicians treating this disease. This combination had been accounted for using the acquisition method in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic*, Business Combinations.*

Basis of Accounting - The Foundation prepares it financial statements on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles. Under this basis, revenue is recognized when earned and expenses are recognized when incurred.

Financial Statement Presentation - Financial statement presentation follows the recommendations of U.S. generally accepted accounting principles in accordance with FASB ASC, *Not-for-Profit Entities - Presentation of Financial Statements*. Under those principles, the Foundation is required to report information regarding its financial position and activities according to two classes of net assets - net assets without donor restrictions, and net assets with donor restrictions.

Classification of Net Assets - The net assets of the Foundation are reported as follows:

Without Donor Restriction represent operating net assets which are available for the general operations of the Foundation as net assets without donor restriction, as well as Board-designated net assets set aside for future use.

With Donor Restriction represent gifts of cash and other restricted support if they are received with donor stipulations that limit the use of donated assets. When a donor restriction expires (that is, when a stipulated time restriction ends, or a purpose restriction is accomplished), net assets with donor restriction are reclassified to net assets without donor restriction and reported in the statement of activities as net assets released from restrictions.

NOTE 1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Cash Equivalents - The Foundation considers all highly liquid investments with an original maturity of three months or less, when purchased, to be cash equivalents. As of December 31, 2018, cash consists of three checking accounts, two sweep accounts and three money market accounts.

Accounts Receivable - Receivables are stated at the amount management expects to collect from balances outstanding at year end. Accounts receivable are considered past due 30 days from invoice date. Management closely monitors outstanding balances and writes off balances that are deemed uncollectible, if any. As management has deemed all receivables to be collectible as of the fiscal year end date, no allowance for doubtful accounts has been recorded.

Investments - Investments consist of fixed income mutual funds and equity mutual funds. Investments are reflected in the financial statements at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Purchases and sales of investments are recorded on a trade date basis. Investment income is recorded in the statement of activities net of all external and direct internal investment expenses and as an increase in without donor restrictions net assets, unless restricted by donor or law. Investment securities are exposed to various risks such as interest rate, market and credit risks. Accordingly, it is at least reasonably possible that changes in investment values will occur in the near term, and such changes could affect balances and amounts reported in the accompanying statement of financial position.

Inventory - Inventory consists of publications, videos and accessories and is stated at the lower of cost or net realizable value.

Property - Property is recorded at cost, or if donated, at the fair value on the date of the donation and is depreciated on a straight-line basis over the estimated useful lives of the respective assets. The Foundation capitalizes all fixed assets with a purchase price of $1,000 or greater. The Foundation capitalizes website development costs incurred during the application stage of development. Depreciation and amortization on property is computed using the following estimated useful lives: furniture and fixtures, 5-7 years; office equipment, 3-5 years; website development and computer software costs, 3 years. When assets are retired or sold, any gain or loss arising from such disposition is included as income or expense. Expenditures for repairs and maintenance are expensed as incurred.

Revenue Recognition - The Foundation reports grants and contributions as net assets with donor restriction if they are received with donor or grantor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or a purpose restriction is accomplished, net assets with donor restriction are reclassified to net assets without donor restriction and reported in the statement of activities as net assets released from restrictions. When a donor restriction is fulfilled in the same year as the contribution is received, the contribution is recognized as without donor restricted support. Unconditional grants and contributions that have been promised but not yet received are reflected as contributions receivable in the accompanying statement of financial position.

NOTE 1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contract revenue represents revenue earned on contracts in which the Foundation is hired to perform a specific service. Contract revenue is recognized as costs are incurred based on actual costs incurred or payment terms established in the contracts. Revenue recognized for contracts for which payments have not been received is included in grants, contributions and contracts receivable in the accompanying statement of financial position. Funds received under these contracts but not yet expended for the purpose specified by the funder are reflected as deferred revenue in the accompanying statement of financial position.

Membership dues are recognized as revenue in the period to which the dues relate, limited to the value of the actual benefits received. Membership dues paid in excess of the actual benefits received are considered a contribution and are recorded as unrestricted revenue in the accompanying statement of activities. National Bone Health Alliance's (NBHA) membership dues are considered as temporarily restricted contributions and are recorded as temporarily restricted revenue in the accompanying statement of activities, unless the restriction is fulfilled in the same year as the receipt of the membership dues.

Bequests are recorded as legacies and bequests revenue upon death after the probate courts declare the wills to be valid and the proceeds are measurable.

Special events revenue and registration fees are recognized in the year in which the related events or conferences are held. Amounts other than donations, collected for future events, are classified as deferred revenue in the accompanying statement of financial position.

Royalty income is recognized on an accrual basis in accordance with the substance of the agreement.

Donated Services and Materials - Contributions of donated noncash assets are recorded at fair value in the period received. Contributions of donated services that create or enhance non-financial assets or that are provided by individuals possessing specialized skills are recorded at fair value in the period received if such services would typically be purchased if not provided by donation.

Functional Allocation of Expenses - The costs of providing various programs and other activities have been summarized on a functional basis in the accompanying statement of activities and functional expenses. Accordingly, certain costs, including salaries, employee benefits, payroll taxes, professional fees, travel, equipment maintenance, office expense, publications, printing, and occupancy have been allocated among the programs, general and administrative and fundraising costs based on time expended or space occupied.

Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE 1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Summarized Comparative Financial Information - The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Foundation's financial statements for the year ended December 31, 2017, from which the summarized information was derived.

Income Taxes - The Foundation is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code. The Foundation has filed for and received income tax exemptions in the various jurisdictions where it is required to do so. The Foundation files the Federal Form 990 tax return in the U.S. Federal jurisdiction and various states. As of December 31, 2018, the statute of limitation for tax years 2015 through 2017 remains open with the U.S. Federal jurisdiction and various states.

In accounting for uncertainty in income taxes, accounting standards require an entity to recognize the financial statement impact of a tax position when it is more-likely-than-not that the position will not be sustained upon examination. Management evaluated the Foundation's tax positions and concluded that the Foundation has taken no uncertain tax positions that require adjustment to the financial statements to comply with the provisions of this guidance.

Reclassifications - Certain amounts previously reported for 2017 have been reclassified to conform to the presentation for 2018.

NOTE 2. LIQUIDITY AND AVAILABILITY OF FINANCIAL RESOURCES

The Foundation maintains a liquid cash balance in checking and money market accounts in an amount necessary to meet its anticipated expenditures for at least the next 30 days. Cash in excess of this amount is invested in short-term investments.

The Foundation has secured a line of credit of up to $1,000,000 to help manage cash flow. There was no borrowing during the year ended December 31, 2018. The line of credit expires October 27, 2019.

The Foundation reconciles the balance of financial assets subject to donor restrictions monthly, based on restricted amounts used and received. Restricted cash and investments are separately identified and monitored as part of the Foundation's monthly financial reporting process.

NOTE 2. LIQUIDITY AND AVAILABILITY OF FINANCIAL RESOURCES (CONTINUED)

The Foundation's financial assets available within one year to meet cash needs for general expenditures through December 31, 2018 are as follows:

Total assets at end of year	$ 6,956,355
Less non financial assets:	
Prepaid expenses	(86,248)
Property	(10,359)
Inventory	(79,215)
Total financial assets at year end	6,780,533
Less amounts not available to meet general expenditures coming due within one year:	
Investment held to fund charitable gift annuities	(337,414)
Purpose restricted net assets	(1,007,340)
Endowment invested in perpetuity	(180,012)
Office lease standby letter of credit	(149,572)
Financial assets available within one year to meet cash	

NOTE 3. CASH AND CASH EQUIVALENTS

Cash and cash equivalents as of December 31, 2018 and 2017 consisted of the following:

	2018	2017
Checking	$ 676,403	$ 207,462
Sweep	2,054,000	1,250,000
Money market	52,493	122,321
Petty cash	231	30
	$ 2,783,127	$ 1,579,813

The checking, sweep, and money market accounts are insured by the Federal Deposit Insurance Corporation and the Securities Investor Protector Corporation, respectively, up to $250,000. The Foundation had $2,489,035 and $1,002,676 of uninsured funds in its bank and investment accounts as of December 31, 2018 and 2017, respectively.

NOTE 4. CONTRIBUTIONS RECEIVABLE

Contributions receivable represent amounts due from corporations, individuals, bequests, and are scheduled to be received as of December 31, 2018 and 2017, respectively, as follows:

	2018	2017
Less than one year	$ 729,651	$ 137,998
One to five years	-	89,668
	$ 729,651	$ 227,666

Management has evaluated outstanding contributions receivable and has deemed all amounts to be fully collectible.

NOTE 5. FAIR VALUE MEASUREMENTS

Accounting standards provides the framework for measuring fair value which provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets (Level 1) and the lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy are described as follows:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Foundation has the ability to access.

Level 2 Inputs to the valuation methodology include other significant observable inputs including:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability; and
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the term of the asset or liability.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

NOTE 5. FAIR VALUE MEASUREMENTS (CONTINUED)

Following are descriptions of the valuation methodologies used for assets and liabilities measured at fair value. There have been no changes in methodologies used at December 31, 2018.

Mutual funds: Traded in active markets on the national and international securities exchanges and are valued at closing prices on the last business day of each period.

Obligations under charitable gift annuities: Recorded at present value of future cash flows expected to be paid to the donor. These liabilities are adjusted during the term of the annuities for payments and change in life expectancies.

The following tables set forth by level, within the fair value hierarchy, the Foundation's assets and liabilities at fair value as of December 31, 2018 and 2017:

	2018			
Description	Total	Quoted Market Prices for Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Mutual funds	$ 3,242,862	$ 3,242,862	$ -	$ -
Obligations under charitable gift annuities	$ 95,700	$ -	$ 95,700	$ -

	2017			
Description	Total	Quoted Market Prices for Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Mutual funds	$ 3,515,621	$ 3,515,621	$ -	$ -
Obligations under charitable gift annuities	$ 53,050	$ -	$ 53,050	$ -

Net investment income (loss) consisted of the following for the years ended December 31:

	2018	2017
Interest and dividends	$ 159,172	$ 44,666
Net realized and unrealized gains (losses)	(389,080)	387,900
Investment management fees	(19,705)	(18,654)
	$ (249,613)	$ 413,912

NOTE 6. PROPERTY AND DEPRECIATION

The Foundation held the following property and equipment as of December 31, 2018 and 2017, respectively:

	2018			
Description	Cost	Depreciation Expense	Accumulated Depreciation	Net Book Value
Machinery and equipment	$ 74,501	$ 3,838	$ 67,916	$ 6,585
Computer software	545,307	2,099	545,307	-
Furniture and fixtures	41,487	1,993	37,713	3,774
	$ 661,295	$ 7,930	$ 650,936	$ 10,359

	2017			
Description	Cost	Depreciation Expense	Accumulated Depreciation	Net Book Value
Machinery and equipment	$ 104,509	$ 3,309	$ 96,788	$ 7,721
Computer software	545,307	8,392	543,209	2,098
Furniture and fixtures	41,487	1,995	35,722	5,765
	$ 691,303	$ 13,696	$ 675,719	$ 15,584

NOTE 7. LINE OF CREDIT

The Foundation entered into a line of credit agreement with a financial institution for $1,000,000, the proceeds of which were to be used to meet working capital requirements of the Foundation. The line of credit is secured by the Foundation's investments. Interest accrues on the unpaid principal at the rate of one-month Libor plus 2.52% which was 1.37%. Any amounts outstanding on the line of credit, plus any accrued interest, are due and payable on October 27, 2019, the maturity date. As of December 31, 2018 and 2017, the outstanding balance was zero.

NOTE 8. CHARITABLE GIFT ANNUITY

The Foundation administers various charitable remainder trusts. A charitable reminder trust provides for the payment of distributions to the grantor or other designated beneficiaries over the trust's term (usually the designated beneficiary's lifetime). At the end of the trust's terms, the remaining assets are available for the Foundation's use. The portion of the trust attributable to the present value of the future benefits to be received by the Foundation is recorded as contributions with donor restrictions contribution in the period the trust is established. Assets held in the charitable remainder trusts totaled $337,414 and $370,282 at December 31, 2018 and 2017, respectively, and are included in investments and reported at fair value in the Foundation's

NOTE 8. CHARITABLE GIFT ANNUITY (CONTINUED)

statements of financial position. On an annual basis, the Foundation revalues the liability to make distributions to the designated beneficiaries based on actuarial assumptions. The present value of the estimated future payments amounted to $95,700 and $53,050 as of December 31, 2018 and 2017, respectively, and is calculated using a discount rate commensurate with the risks involved. This liability is included in the accompanying statement of financial position.

NOTE 9. DEFERRED REVENUE

The Foundation is the recipient of some grants. The revenue is recognized on a pro-rata basis over the term of the grant agreements. The unearned portion is recorded as deferred revenue in the statement of financial position. Deferred revenue as of December 31, 2018 and 2017 is as follows:

	2018	2017
Grants	$ 1,438,845	$ 92,999

NOTE 10. NET ASSETS WITH DONOR RESTRICTION

A summary of activity in net assets with donor restriction for the years ended December 31, 2018 and 2017 are as follows:

	2018			
Description	Balance December 31, 2017	Support and Revenue	Net Assets Released From Expense	Balance December 31 2018
NBHA	$ 592,605	$ 265,412	$ (350,710)	$ 507,307
Education	409,855	1,140,522	(1,093,285)	457,092
Research endowment	221,740	12,043	(10,830)	222,953
Total	$ 1,224,200	$ 1,417,977	$ (1,454,825)	$ 1,187,352

	2017			
Description	Balance December 31, 2016	Support and Revenue	Net Assets Released From Expense	Balance December 31 2017
NBHA	$ 690,841	$ 472,878	$ (571,114)	$ 592,605
Education	347,234	1,064,279	(1,001,658)	409,855
Research endowment	208,210	14,895	(1,365)	221,740
Total	$ 1,246,285	$ 1,552,052	$ (1,574,137)	$ 1,224,200

NOTE 10. NET ASSETS WITH DONOR RESTRICTION (CONTINUED)

The Foundation's endowment consists of donor-restricted endowment funds which are shown as net assets with donor restrictions in the accompanying financial statements. As of December 31, 2018, the Foundation's endowment totaled $180,012. The income earned on these net assets is restricted by the donor. The Shou Mei Hu - Cecelia Wu Kojima Fund totaled $80,012 and the restricted income is for medical and scientific research related to the prevention, cure, and/or treatment of osteoporosis. The Dr. Burton Spiller Fund for Bone Health Research totaled $100,000 and restricted income for medical research regarding bone health and bone research grants.

Interpretation of Relevant Law - The Board of Directors of the Foundation has interpreted the Uniform Prudent Management of Institutional Fund Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as permanent restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

The portion of the permanent endowment funds that is required to be retained permanently, either by explicit donor stipulation or by UPMIFA is $180,012 as of December 31, 2018 and 2017.

Return Objectives and Spending Policy - The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. The Foundation did not award any research grants from the endowment in 2018.

Funds with Deficiencies - From time to time, the fair value of assets associated with the endowment funds may fall below the level that the donor or UPMIFA requires the Foundation to retain as a fund of perpetual duration. There were no such deficiencies as of December 31, 2018.

Strategies Employed for Achieving Objectives - The investment committee evaluates, selects and monitors one or more investment managers to directly manage the Foundation's investment portfolio of assets within general guidelines provided.

NOTE 11. COMMITMENTS AND CONTINGENCIES

Hotel Commitments - The Foundation entered into a hotel contract for its 2019 annual meeting. Should the Foundation have decided to cancel this contract at December 31, 2018, it would have been liable for cancellation fees up to $211,354.

Note 11. Commitments and Contingencies (continued)

Employment Commitment - The Foundation has entered into an employment agreement under which the terms of the contract, the Foundation could be required to pay severance of up to $300,000 if the Foundation were to terminate the individual's employment under certain circumstances.

Office Lease - On June 1, 2015, the Foundation entered into a new lease agreement for office space in Arlington, VA. The lease commenced on June 1, 2015 and will expire in May 2026. Under the terms of the lease, the base rent is subject to an annual increase of 2.5%. The entire amount due under the terms of the lease will be recognized in the financial statements pro-rata over the lease term. Amounts expensed in excess of actual cash payments required will be reflected as a deferred lease liability. As part of the lease agreement, the Foundation is required to maintain an irrevocable standby letter of credit in the amount of $149,572.

Future minimum lease payments required under the lease are as follows:

2019	$ 176,814
2020	181,235
2021	185,766
2022	190,410
2023	195,170
Total future minimum payments	561,753
	$ 1,491,148

Rent expense for the years ended December 31, 2018 and 2017 totaled $174,928 and $172,423, respectively.

Note 12. Allocation of Joint Costs

The Foundation conducts activities that include requests for contributions as well as program and management and general components. Those activities include direct mail campaigns and special events. The costs of conducting those activities for the years ended December 31, 2018 and 2017 included joint costs which are not specifically attributable to particular components of the activities. These joint costs were allocated as follows:

	2018	2017
Fundraising	$ 94,753	$ 89,183
Program	52,496	42,998
Management and general	21,929	12,697
	$ 169,178	$ 144,878

NOTE 13. RETIREMENT PLANS

The Foundation sponsors a tax-deferred annuity plan covering employee working greater than 20 hours per week. All employees are eligible to participate immediately upon hire. After completion of three months of service, the Foundation will make a matching contribution equal to 4% of compensation for any eligible employee contributing at least 1%. Employee and employer contributions, plus any earnings, are 100% vested. The Foundation's total contribution to the plan for the years ended December 31, 2018 and 2017 was $35,987 and $42,045, respectively.

NOTE 14. SUBSEQUENT EVENTS

Subsequent events have been evaluated through April 15, 2019, which is the date the financial statements were available to be issued. The review and evaluation revealed no new material event or transaction which would require an adjustment to or disclosure in the accompanying financial statements.